

COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE APRIL 14, 2006, STAFF REPORT ON PUBLIC POLICY PROGRAMS

Pursuant to the schedule established in the April 14, 2006, "Notice of Two-day Workshop on Universal Service Public Policy Programs", the Division of Ratepayer Advocates (DRA) submits these preliminary comments upon the Staff Report on Public Policy Programs (Report).

DRA applauds the Commission's proactive approach to addressing the three Public Purpose Programs (PPP) discussed in the Report and evinced by conducting the upcoming workshop and the OIR which is expected to be issued soon. Ratepayers, program beneficiaries, and the California economic climate benefit from efficient and effective PPPs. DRA expects to participate in the workshop and in the OIR. The questions posed in the Report are comprehensive. DRA will not address here all of the questions listed in the Report, but offers some general principles which the Commission should keep in mind which are not specific to a particular PPP.

DRA heartily supports goals of the all of the Public Purpose Programs, which are to make telecommunications services economically and physically accessible for certain ratepayer groups: basic service (currently wireline) for low-income customers, services and special equipment for deaf and disabled customers, and basic and advanced services to schools, libraries, hospitals, health clinics, and community-based organizations. The administration, provision and delivery of these services should be both efficacious and cost-effective, bearing in mind that while society as a whole benefits from ensuring that these groups are included and connected to telecommunications services, all other ratepayers pay for these subsidies and discounts.

TECHNOLOGICAL NEUTRALITY

A number of the questions posed in the Report address changes in technology, and if or how the Commission should consider program changes to account for them. DRA agrees that regular programmatic review is desirable in order to assure that the PPPs are meeting the legislatively mandated goals and making available the technologies needed by program participants. However, DRA wishes to emphasize that the Commission's decisions about which technologies to subsidize should be guided by a careful and balanced consideration of legislative goals, prior Commission policies, and the cost of the programs and their cost-effectiveness.

COST EFFECTIVENESS

As the Commission explores ways to maximize the administrative efficiency of the various PPPs and conduct outreach so that the programs are available to all eligible Californians, it should employ a rigorous cost-benefit analysis. Inasmuch as virtually **all** ratepayers fund these programs, any proposed program or equipment expansion must be weighed against the cost to ratepayers to fund them. Large program expansions, such as,

for example, subsidizing access to advanced services, often come with large price tags. The rate impacts to California consumers to expand these programs must be compared to the benefits such expansions might provide and the number of subscribers who would benefit. The Commission should rightly be cautious about subsidizing the “next new thing or service” if doing so would result in a substantial increase in the surcharges. These surcharges have a real economic impact upon California consumers, including the very low income customers whom some of the programs are designed to help.

SUBSIDY FLEXIBILITY TO PROMOTE CONSUMER CHOICE

DRA suggests that the Commission, as part of its programmatic review, *consider* ways in which to give consumers more control and choice over the services provided, across both technologies and service providers. For example, the PPPs are currently structured largely for a wireline environment. There may be situations where eligible customers could obtain the services they desire which are equivalent to basic wireline service from a technology platform other than standard wireline service. DRA is not here advocating program expansions; rather, we suggest that technologically neutral subsidies might be a way to simultaneously provide for program participants to access new technologies that might benefit them without dramatically driving up program costs. For example, the Commission could consider expanding the services subject to discount while allowing participants to exercise choice with respect to their service provider and technology platform. DRA’s concern is that eligible services meet each program’s eligibility standards and objectives, standards which themselves may be subject to reexamination and review. DRA is not making a specific proposal here, but we do think the concept merits Commission consideration and the opportunity for parties to propose and comment.